CANADIAN CURTISS WRIGHT LIMITED

ANNUAL REPORT

1972

CORPORATE DIRECTORY

DIRECTORS

David Lasky	John B. Morris	Martin A. Sherry
Thomas F. G. Lawson	Gerald Nachman	John B. Webster
	Charles F. Scott	

OFFICERS

John B. Morris .... *Chairman of the Board and President*

Lloyd S. Hoar .... *Vice-President*

Albert C. Madge .... *(President - Webster Air Equip. Ltd.) Vice-President*

Martin A. Sherry .... *Treasurer*

Charles F. Scott, Q.C. .... *Secretary*

Francis E. Fallon .... *Assistant Secretary*

John W. Shearing .... *Controller*

AUDITORS

Coopers & Lybrand .... Toronto, Canada

CORPORATE COUNSEL

Gowling & Henderson .... Ottawa, Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company .... Toronto, Canada

CANADIAN CURTISS WRIGHT LIMITED

6503 Northam Drive, Mississauga, Canada

HIGHLIGHTS

	1972	1971
Sales	**$12,376,391**	$12,105,406*
Earnings Before Income Taxes and Extraordinary Items	**$ 567,417**	$ 782,094
Provision for Income Taxes	**$ 304,000**	$ 400,615
Extraordinary Gain (Loss)	**$ 57,596**	$ (222,318)
Net Earnings for the Year	**$ 321,013**	$ 159,161
Net Earnings Per Share	**7¢**	3¢
Retained Earnings	**$ 1,350,017**	$ 1,029,004
Shareholders' Equity	**$ 3,097,625**	$ 2,784,112
Working Capital	**$ 2,754,420**	$ 2,207,770
Number of Common Shares Outstanding	**4,690,922**	4,701,282

**Restated from $13,314,406 to eliminate discontinued product lines, for comparative purposes*

CANADIAN CURTISS WRIGHT LIMITED

TO THE SHAREHOLDERS:

Your Company is happy to report that its 1972 net profits were more than double those of the previous year. 1972 net after tax income was $321,013 or 7¢ per share, compared with $159,161 or 3¢ per share in 1971.

Earnings before taxes and extraordinary items were $567,417 in 1972, as compared with $782,094 in 1971.

Extraordinary items, net of taxes, showed a gain of $57,596 in 1972, compared with a loss of $222,318 in 1971. The 1972 gain resulted primarily from a decision to reduce costs and make the Company more competitive by selling the land and building which formerly comprised Corporate headquarters, at a significant profit, and moving to smaller and lower cost leased space nearby.

Sales for 1972 were $12,376,391, as compared with $12,105,406 in the previous year, restated to eliminate discontinued product lines.

New orders written during 1972 were $18,055,000, as compared with $10,588,000 in 1971, restated to eliminate discontinued product lines.

A further favorable development was that customer orders for recreational vehicle engines for 1973 shipment were received earlier than in the previous year, with the result that the backlog at December 31, 1972 was $6,614,000, compared with $935,000 at the end of the previous year.

Your Company is also pleased to report that shareholders' equity had increased to the highest point in the Company's history at the end of 1972, $3,097,625. In the past ten years, shareholders' equity has nearly doubled. The book value per share of 66¢ is also the highest in the Company's history.

The sale and servicing of recreational vehicle engines was again a significant contributor to your Company's business in 1972. All the engines which could be produced by the Company's Japanese supplier were sold; and the inventory of engines with which the Company entered the year was substantially reduced.

In early March, your Company was advised by its Japanese supplier of engines for recreational vehicles that the agreement under which Canadian Curtiss-Wright, Limited has had the exclusive North American sales rights for the past five years would not be continued beyond its July 1973 expiration date. While there were undoubtedly a variety of reasons for this decision by the supplier, it is believed that a significant factor was the two recent rounds of currency revaluation and its effect on the Japanese competitive position in North America.

The termination of this agreement will not adversely affect your Company's 1973 sales and profits, because orders covering the Company's complete requirements for calendar 1973 will be shipped.

To replace the approximately two-thirds of the Company's recent volume, which will not be available in 1974, your Company is energetically working on securing a new overseas supplier and/or developing sales and service rights for other types of products. In addition, your Company is also discussing the acquisition of companies in new lines of business.

CANADIAN CURTISS WRIGHT LIMITED

Webster Air Equipment, a wholly-owned subsidiary company in London, Ontario continued to show the progress in sales and profitability which it has demonstrated since it was acquired in 1970 and became a part of the Canadian Curtiss-Wright family. Sales and profits showed further gains in 1972. The Webster piston type compressors in the 1/4 to 20 horsepower range showed the greatest improvement, with the Fluidair line of larger rotary compressors, manufactured for the Company in England, also showing growth. New products are in process of investigation as additions to the Webster line for marketing through existing Webster outlets and distributors.

During 1972, your Company showed substantial results in reducing costs in a number of expense categories, through the reduction of personnel, the adoption of lower cost operating systems, and other steps.

The Company is grateful for this opportunity to extend a sincere expression of its appreciation to shareholders, customers and suppliers for their continued support and co-operation, and to employees for their dedication, loyalty and effective efforts.

On behalf of the Board of Directors,

John B. Yonis

Chairman and President

March 8, 1973

CANADIAN CURTISS WRIGHT LIMITED

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1972

(with comparative figures as of December 31, 1971)

ASSETS

CURRENT ASSETS			1972	1971
Cash			$ 123,296	$ ---
Accounts receivable			1,245,866	2,941,588
Income taxes recoverable			25,912	---
Inventories - at the lower of cost or net realizable value (note 2)			2,002,550	2,841,800
Prepaid expenses			35,194	18,440
			$3,432,818	$5,801,828
LONG-TERM ACCOUNTS RECEIVABLE			$ 9,000	$ 107,987
FIXED ASSETS	*Cost*	*Accumulated depreciation*		
Land	$ ---	$ ---	$ ---	$ 110,869
Building	---	---	---	262,657
Equipment and other	342,341	293,092	49,249	75,450
Leasehold Improvements	30,527	12,414	18,113	---
	$372,868	$305,506	$ 67,362	$ 448,976
OTHER ASSETS				
Excess of cost of investment in business acquired over book value of net assets at date of acquisition			$ 412,843	$ 412,843
			$3,922,023	$6,771,634

CANADIAN CURTISS WRIGHT LIMITED

LIABILITIES

CURRENT LIABILITIES	1972	1971
Bank loan and overdraft	$ ---	$ 989,975
Accounts payable and accrued liabilities	439,903	684,141
Current portion of long-term debt	73,000	80,568
Income taxes	---	162,961
Trade account payable to parent company	165,495	1,676,413
	$ 678,398	$3,594,058
LONG-TERM DEBT (note 3)	146,000	393,464
	$ 824,398	$3,987,522

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 10,000,000 shares without par value		
Issued and fully paid — 4,701,282 shares (note 4)	$1,755,108	$1,755,108
RETAINED EARNINGS	1,350,017	1,029,004
	$3,105,125	$2,784,112
SHARES ACQUIRED		
Cost of 10,360 shares of the Company acquired during 1972	7,500	---
	$3,097,625	$2,784,112
	$3,922,023	$6,771,634

SIGNED ON BEHALF OF THE BOARD

J. B. Morris, Director

Thomas F. G. Lawson, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Curtiss-Wright, Limited and subsidiary companies as of December 31, 1972 and the related consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1971.

In our opinion these consolidated financial statements present fairly the financial position of the companies as of December 31, 1972 and 1971 and the results of their operations and the source and use of their working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

January 31, 1973

COOPERS & LYBRAND, Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972 (with comparative figures for 1971)

	1972	1971
SALES	$12,376,391	$13,314,406
COST OF SALES	10,521,380	10,919,751
	$ 1,855,011	$ 2,394,655
SELLING, GENERAL AND ADMINISTRATIVE, AND FINANCIAL EXPENSES	1,287,594	1,612,561
EARNINGS BEFORE INCOME TAXES	$ 567,417	$ 782,094
PROVISION FOR INCOME TAXES	304,000	400,615
EARNINGS BEFORE EXTRAORDINARY ITEMS	$ 263,417	$ 381,479
EXTRAORDINARY GAIN (LOSS) (note 5)	57,596	(222,318)
NET EARNINGS FOR THE YEAR	$ 321,013	$ 159,161
RETAINED EARNINGS - BEGINNING OF YEAR	1,029,004	869,843
RETAINED EARNINGS - END OF YEAR	$ 1,350,017	$ 1,029,004

EARNINGS PER SHARE	1972 Cents	1971 Cents
Earnings before extraordinary items	5.62	8.11
Net earnings for the year	6.84	3.39

The following are included in the above statement:

	1972	1971
Depreciation of fixed assets	$ 19,544	$ 40,679
Amortization of franchises	---	18,518
Directors' fees	4,200	2,250
Interest on long-term debt	6,856	13,718
Other interest	66,537	203,402

CANADIAN CURTISS WRIGHT LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1972 (with comparative figures for 1971)

	1972	1971
SOURCE OF WORKING CAPITAL		
Earnings before extraordinary items	$ 263,417	$ 381,479
Items not affecting working capital –		
Depreciation and amortization of franchises	19,544	59,197
Loss on disposal of fixed assets	---	19,514
Provided from operations	$ 282,961	$ 460,190
Proceeds on sale of fixed assets	443,748	60,289
Proceeds on sale of subsidiary	---	50,000
Decrease in long-term accounts receivable	98,987	(107,987)
	$ 825,696	$ 462,492
USE OF WORKING CAPITAL		
Reduction of long-term liabilities	$ 247,464	$ 80,568
Purchase of fixed assets	17,582	19,193
Purchase of Company's shares	7,500	---
Patent infringement suit (note 5)	6,500	---
Extraordinary loss, less write-off of the excess of cost of investment in businesses acquired over book value of net assets ($100,525)	---	121,793
	$ 279,046	$ 221,554
INCREASE IN WORKING CAPITAL	$ 546,650	$ 240,938
WORKING CAPITAL – BEGINNING OF YEAR	2,207,770	1,966,832
WORKING CAPITAL – END OF YEAR	$2,754,420	$2,207,770

NOTE:

The 1971 figures have been reclassified for comparative purposes

CANADIAN CURTISS WRIGHT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1972

1. BASIS OF CONSOLIDATION

The accounts of all the subsidiaries have been consolidated. Assets and liabilities in foreign currency have been converted to Canadian funds at the exchange rate in effect at December 31, 1972.

2. INVENTORIES

These are classified as follows:

	1972	1971
Finished Goods	**$1,664,708**	$2,641,595
Work in Process;	**18,242**	11,815
Raw Materials	**319,600**	188,390
	$2,002,550	$2,841,800

3. LONG-TERM DEBT

Long-term debt consists of:

	1972	1971
7½% mortgage payable (Repaid in 1972)	---	182,032
Non-interest bearing notes payable in annual instalments of $73,000	**219,000**	292,000
	219,000	474,032
Less: Current portion	**73,000**	80,568
	$ 146,000	$ 393,464

4. STOCK OPTIONS

An option to purchase 15,000 shares at a price per share of $3.1825, being 95% of the highest price of the Company's shares trading on the Toronto Stock Exchange on April 11, 1968, remains outstanding. This option expires on April 13, 1973.

The Company has a share option plan for full-time executives of the Company. The maximum number of shares that can be optioned under this plan is 100,000. Under the plan, the Company has outstanding to two full-time officer employees options to purchase 30,000 common shares at prices equal to 90% of the mean of the high and low sale prices on the Toronto Stock Exchange on the dates of the grant of the options, exercisable as follows:

(a) 15,000 common shares at a price of 69.56 cents per share exercisable at the rate of 3,000 per year on or after March 20, 1970 and expiring five years after the earliest exercisable date.

(b) 15,000 common shares at a price of 70.20 cents per share exercisable at the rate of 3,000 per year on or after November 16, 1972 and expiring five years after the earliest exercisable date.

5. EXTRAORDINARY GAIN (LOSS)

These consist of:

	1972	1971
Gain on sale of land and buildings, less related income taxes of $16,500	**$64,096**	$ ---
Settlement of patent infringement suit, less related income taxes of $6,000	**(6,500)**	---
Net loss on disposal of businesses, less related income taxes of $90,000	---	(193,433)
Income taxes assessed in respect of an extraordinary item in 1968	---	(28,885)
	$57,596	$(222,318)

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6. CONTINGENT LIABILITY

The 303,240 common shares issued in 1970 for the acquisition of a subsidiary are categorized by the Toronto Stock Exchange as non-exempt from interest equalization tax pursuant to the United States Internal Revenue Code. Subject to conditions the Company has guaranteed to October 9, 1975 that the recipient of the 303,240 shares will, upon the sale of the first 101,080 of these shares, realize a minimum of $73,000. If this amount is not realized, then the Company will be required to issue sufficient additional shares as determined by a formula in the agreement to compensate for the difference between $72,998 and the amount realized.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and five senior officers amounted to $93,710 for the year ended December 31, 1972.

8. LEASE COMMITMENTS

At December 31, 1972 the Companies had lease commitments providing for approximate annual rentals of $57,000 to 1981 and $21,000 in 1982.

CANADIAN CURTISS WRIGHT LIMITED

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6503 Northam Drive, Mississauga, Canada